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SUBJECT: SERBIA'S SPRING COALITION GOVERNMENT - PARTY PROSPECTS

Classified by Ambassador Michael Polt, reasons 1.4 (b,d)

SUMMARY

¶1. (c) The conditions under which the last-minute coalition deal was struck between DS and DSS to form a new government has left a sour taste in the mouths of many of the players and the body politic more broadly. The election of SRS deputy leader Tomislav Nikolic to head the parliament - however briefly - was a shock to the Serbian political system. The fact that he was elected with the unanimous support of Kostunica's DSS was particularly troubling, not only to pro-reformists but even to many within DSS itself. The machinations that surrounded this deal could have profound impacts on the futures of all the key parties in the deal, as well as for those who remain in opposition - notably LDP and SRS. End summary.

THE COALITION NEGOTIATIONS

¶2. (c) By all accounts, the brinksmanship that defined the coalition talks showed the worst in Serbian politics. From the outset, everyone expected the negotiations to be protracted - though entering the third month, even most political pundits and media commentators began to treat the talks as a political circus that made Serbia look immature and politically atrophied to the rest of Europe. Virtually everyone expected personal egos to complicate the talks, and many openly blamed DS VP Dragan Sutanovac and DSS VP Dragan Jovic for letting personal ambition (they both wanted control of the Interior Ministry) to block the ability of both sides to get a deal done sooner. In addition, Tadic's capitulation on allowing Kostunica to keep the PM seat caused consternation among some in the DS, many of whose senior members felt humiliated for ceding the post after winning by far the most seats of any party in the democratic bloc. This slowed the deal-making process further.

¶3. (c) Ultimately, though, the deal came down to who would control the internal security institutions that have defined political control in Serbia since Milosevic's day - the Interior ministry and the Security Intelligence Agency (BIA). Defense was not a part of that computation, at least for the DSS and the "hardline" DS camp. Many believed Tadic would cave quickly on these two posts in his desire to make a deal. However, with strong party support, he held firm, insisting on a division of the posts as a condition for the deal. This issue - who would get Interior and BIA - defined the negotiations to the very end.

¶4. (c) That end came after Tadic, under pressure from within his own party, rejected a DSS demand to cede Interior to DSS and split control over BIA. DSS then launched a power play when they formally supported the Radicals in a bid for the position of Speaker of the parliament. This move shocked the entire political establishment, fueled media scorn of the political elite, and struck fear into many democratic voters. It also, apparently, took many DSS MP's by surprise, with muttering against the decision and even open criticism in the halls outside the parliamentary chamber (owing to strong enforcement of party discipline, no DSS votes were cast against the nomination).

15. (c) In the aftermath of the election, DS had its own bitter internal debate, with Tadic loyalists who supported a deal whatever the cost pitted against a group of oppositionists who called for new elections - some more on the grounds of personal ambition (like Sutanovac), others from a more principled position (like Djindjic's widow and party VP, Ruzica). Meanwhile, G-17 Plus leader Mladjan Dinkic postured with a principled stand, vowing never to join a government that included a party (DSS) that voted in the Radicals. Dinkic quickly found, though, that he didn't have the stomach for a principled stand absent strong DS opposition to the move, so backed down almost immediately and ultimately agreed to support whatever government was formed.

16. (c) Paradoxically, most observers believe that this brinksmanship and skullduggery will contribute to the stability of the government. Every party involved in the deal sullied itself, and so has a vested interest in putting as much time (and opportunities for successes) as possible behind it before the next parliamentary elections. Some of the parties involved - especially G-17 Plus - may even assess this to be their last chance to participate in government as individual parties, making their willingness to bring the government down slim. At the same time, though, Kostunica showed through his support of the Radicals that he just might be willing to gamble his country's future against his staying in power - strong medicine to a DS party that many feel is too weakly led to call these sorts of bluffs.

IMPACTS: DS

17. (c) A palpable unease permeates Tadic's party. The coalition talks led to a series of heated debates within the party, fracturing along a line separating Tadic and those eager to cut a deal on one side (cohabitationists), and party purists who fought throughout to maximize DS gains from the elections as the leading vote-getter in the coalition (maximalists). This rift exposed and in some cases

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intensified rivalries between individuals and groups in DS. Many analysts as well as senior DS insiders believe the in-fighting in the party, coupled with Tadic's ultimate unwillingness to stand up to Kostunica and call elections once the PM threw in with the Radicals, has done the party enormous (but not irreparable) damage. Some will be looking to score quick and repeated political wins to try to get their constituents to forget about the lack of leadership exhibited in the talks - while still sniping at each other behind the closed doors of the party presidency. Others will look to enforce the strength of their party faction in preparation for the ultimate breach with the DSS.

IMPACTS: DSS

18. (c) Many believe DSS was hurt the most from this drama, despite scoring the most short-term gains by keeping hold of the PM job and the key interior ministry job and at least shared control over BIA. The forced vote to support the Radicals had two significant impacts: first, it exposed divisions within DSS - deep divisions that the party has been adroitly managing to date. DSS MP's were seen crying in the halls before the vote to put Nikolic in power, and there was an angry buzz throughout the chamber over the move. Second, the vote again exposed the limits of Kostunica's democratic commitment when it comes to playing hardball with his political opponents. The PM has always assured us he would never make common cause with the Radicals. Yet he did so, gambling the country's relations with all its neighbors and its path toward Europe against his ability to strong-arm Tadic into letting him keep control of the institutions that have the largest measure of control over Serbian internal affairs.

19. (c) In the eyes of many here - including some in his own party - Kostunica has exposed himself as a supporter of hardline nationalism over pragmatism and Euro-Atlanticism, and this reaffirmation may be the pebble that starts an avalanche of DSS defections. The more moderate DSS supporters could start looking to the conservative wing of DS, from which they came originally, as more representative of their ideology, while the hardliners and former JUL members who make up the balance of DSS may start to see little reason to support a

party that polls at, say, nine percent, when they can join instead a party with a similar platform (SRS) that polls 29 percent. Thus many are saying DSS now has a fairly short political half-life, which will make it eager to keep this government going. The key to the length of this half-life is Kostunica himself, who is the glue holding the party together.

IMPACTS: G-17 Plus

¶10. (c) As a political party, G-17 has been a one-man show for Mladjan Dinkic ever since he ousted former deputy PM Miroljub Labus. Other party officials - mostly technocrats - either follow his lead submissively or do not have the political savvy to oppose him. In the coalition talks, Dinkic was unable to outmaneuver either Kostunica or Tadic, as was evidenced by his routine flip-flopping between the two larger parties at the start of the talks, his willingness to be dominated by Kostunica later on, and his immediate walk-back from strong statements of political principle when Nikolic was elected speaker. Dinkic remains concerned with two things - keeping his hands on economic levers in the government, and keeping his party in government. Dinkic has perhaps the most to fear from new elections, whenever they happen. His party has no uniquely identifiable platform - his pro-European views and economic planks are essentially shared by the DS. Without the Finance ministry, DS sources tell us Dinkic has already offered to merge G-17 into DS, but that Tadic has postponed this for now. Dinkic may feel G-17 would be unable to cross the threshold for participation in any future election - and he is likely right - making this government his last huzzah as a party leader. In the meantime, as Economy minister he will play on key privatizations in the energy and telecoms sectors (the ministries for these two sectors are DSS and DS appointees, respectively).

IMPACTS: SRS

¶11. (c) The million-dollar question in Belgrade now is what side deal Kostunica may well have cut with Nikolic in order to a) engineer Nikolic's appointment to the Speaker of parliament post, and b) subsequently get him to agree to step down without any sort of fight, and without any of the trademark obstructionism and crass behavior that has defined the SRS parliamentary modus operandi. Most of the general public is simply so relieved that SRS has stepped down that they have not thought to pose the question. The political classes, though, are rock-solid certain that a Faustian bargain has been struck. In their view, the most likely scenario is some combination of the following: DSS support for an SRS presidential candidate when elections are held by the end of the year (or, at a minimum, DSS withholding support for a "democratic bloc" candidate and/or running their own candidate to dilute the democratic vote); similar DSS indirect or direct support for an SRS candidate for mayor of Belgrade, again by the end of the year; and/or DSS support for a longtime SRS desire to rewrite the law on local elections in a way that more heavily favors SRS candidates and, inter alia, makes mayors

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appointed by local assemblies instead of being directly elected, as is the case now (in many municipalities, assemblies are headed by SRS-led coalitions, while many mayors are democratic bloc). Whatever the deal, though, SRS wins out of this circus, having been legitimized as a national political party within Serbia - this could translate to better polling numbers in any future election (likely at the expense of DSS and, to a lesser extent, SPS).

LDP

¶12. (c) Besides SRS, the party no one heard about may have fared the best from this debacle. LDP's leadership is calm and confident. They note that all the parties that formed the government hurt themselves in the eyes of their constituents in the process. In particular, they assert that Tadic's DS folded when the time came to stand up and be counted - by not calling elections as soon as Kostunica threw in with the Radicals, LDP believes DS has made itself complicit in tolerating Radical supporters. LDP is supremely confident that they will fare better in any future election than they did in the last, likely at the expense of crestfallen DS and G-17 voters. LDP's leadership believes the government will do enough

damage to itself while in office that all LDP, as the only democratic opposition party, will have to do is welcome the democratic voters that are alienated. While their confidence should not be overstated - they barely squeaked into this parliament with just over the requisite 5 percent - they will be extremely well-placed to snipe at a government they see as the last continuation of the Milosevic legacy - a DSS in league with the Radicals, and a DS in league with DSS and more concerned about sinecures than leadership.

POLT